

# The Securities Investor Protection Corporation (SIPC)



SIPC protects customers of registered securities brokers. SIPC is a nonprofit, membership corporation, funded by its member securities brokers. SIPC is neither a government agency nor a regulatory authority.

The coverage provided by SIPC is often confused with the coverage provided by the better-known Federal Depositary Insurance Corporation (FDIC). When you deposit money in a bank, FDIC will guarantee, within certain limits, those funds on deposit in member banks and thrift institutions.

## **Important note:**

SIPC does not offer protection against losses from the rise and fall in the market value of your investment, but it will offer protection against certain losses if a SIPC member fails financially and is unable to meet obligations to its securities customers.

## The basic protection plan

SIPC protects securities customers of member brokers. *However, it is important to recognize that SIPC does not cover an investor against loss resulting from a decline in the market value of securities, nor from bad advice or unsuitable recommendations by a broker.*

SIPC protection may be extended in several ways. In the event, a member broker fails financially, SIPC can ask a federal court to appoint a trustee to liquidate the firm and protect its customers. In cases involving smaller firms, SIPC may protect the customers directly.

SIPC may arrange to have some or all of the customer accounts transferred to another SIPC-member broker. From this new firm, a customer can transfer the account to another firm of their choice. Customers of the failed firm also will receive all securities registered in their names and a pro-rated portion of all-remaining customer cash and securities held by the firm. After these distributions, SIPC's own funds are used to pay the remaining claims of each customer up to a maximum of \$500,000 for securities claims, and up to \$100,000 on cash claims.

SIPC protects a customer's cash and securities. Securities covered typically include stocks, bonds, notes, and certificate of deposit. *SIPC does not cover many limited partnership interests nor any interest in gold, silver, or other commodities.*

Cash on deposit with a SIPC member for any purpose other than purchasing securities is not protected. Remember that SIPC does not cover an investor against loss resulting from a decline in the market value of securities, nor from bad advice or unsuitable recommendations by a broker. If you are not sure of your protection, ask your broker or the Hawaii Office of the Commissioner of Securities.

If you purchase stock through a brokerage firm, you usually have several choices on how your stock certificates will be handled. One option will be to receive a certificate made out in your name showing the number of shares purchased. However, if the stock certificate is lost or stolen at your home, SIPC will not provide coverage.

A second option is to have the stock certificate held in *street name*. This term refers to the brokerage firm being listed as the shareholder of record of the corporation you purchased stock in, although you, the customer, are the actual owner. SIPC provides coverage for stock certificates held in this manner.

When making a deposit to your securities account by check, be certain that your check is made payable only to your SIPC member broker and not to the account executive or registered representative.

## Protection for mutual funds and money market funds

Mutual fund shares are securities and are covered in the same manner as other securities in accounts with SIPC. Be aware that brokers who deal exclusively in mutual funds are not members of SIPC, and customers of such firms are not protected by SIPC. Money market funds may be securities when they are organized as mutual funds. Therefore, when such funds are held by a SIPC member in a customer's securities account, such fund shares are protected to the same extent as any other covered security.

## Notification and claim forms

SIPC members in liquidation must provide notice through publication in one or more newspapers of general circulation and by mailing a copy of the notice together with a claim form to each customer's address as it appears on the broker's books and records. Customers then submit claim forms directly to an appointed trustee or to the SIPC. Follow the instruction on your notice and claim form.

It is important that customers promptly submit their claim forms according to the time limits given in the notice, because deadlines

apply to the filing of customer claims. If you miss these deadlines, you may lose all or part of your claim for funds and securities.

Customers can expect to receive payment on their account in one to three months. The time will vary from case to case based on the accuracy of the firm records or the involvement of fraudulent activities by the firm or its principals.

## Who to contact with questions

If you are not sure, whether a firm is a member of SIPC, or if you have questions regarding a claim procedure, call or write to:

### **Securities Investor Protection Corporation**

805 Fifteenth Street, NW, Suite 800  
Washington, DC 20005-2207  
(202) 371-8300

## For more information

Department of Commerce & Consumer Affairs  
Office of the Commissioner of Securities  
1010 Richards Street  
Honolulu, Hawaii 96813  
(808) 586-2744